```
VZCZCXYZ0000
PP RUEHWEB

DE RUEHEG #0534 0881112
ZNR UUUUU ZZH
P 291112Z MAR 09
FM AMEMBASSY CAIRO
TO RUEHC/SECSTATE WASHDC PRIORITY 2022
INFO RUEATRS/DEPT OF TREASURY WASHDC PRIORITY
RUCPDOC/DEPT OF COMMERCE WASHDC PRIORITY
```

UNCLAS CAIRO 000534

SIPDIS

DEPT FOR NEA/ELA
TREASURY FOR BRYAN BALIN AND FRANCISCO PARODI

E.O. 12958: N/A
TAGS: ECON EAID EFIN EINV PGOV EG
SUBJECT: EGYPT: CENTRAL BANK CUTS RATES AGAIN

REF: A. 09 CAIRO 282
     ¶B. 09 CAIRO 476

¶1. (U) At the March 26 meeting of its Monetary Policy
Committee (MPC), the Egyptian Central Bank (CBE) cut its
overnight lending rate, deposit rate, and the discount rate
by 50 basis points each. Following this cut, the lending and
deposit rates stand at 12% and 10% respectively with the
discount rate at 10%. This move follows a 100 basis point cut
by the MPC in February (reftel A) and continues an easing
cycle that acknowledges both lower inflation and a slowing
economy.

¶2. (U) In its statement, the MPC cited the 10.1% cumulative
drop in headline CPI inflation over the last six months and a
lower GDP growth rate of 4.1% in Q2 2008/9 (Oct-Dec 2008)
compared to 5.8% in Q1 and 7.7% in Q2 2007/8. The statement
also highlighted lower exports, reduced Suez Canal activity
and slower growth in the Egyptian manufacturing sector.

¶3. (U) Many analysts had expected the CBE to cut rates by 100
basis points, and it's likely that a slower-than-expected
drop in the rate of inflation for foodstuffs along with
continued GOE interest in controlling the devaluation of the
Egyptian pound (reftel B) may have limited this month's cut.
The MPC statement projects that "annual inflation will fall
towards the CBE's comfort zone by mid-2009."

¶4. (U) The CBE will likely continue cutting rates throughout
the first half of the year. In its statement, the MPC cites
"dire prospects for global growth" as likely to put pressure
both on exports and domestic growth. As inflation continues
to ease towards single digits, interest rates will likely
follow.
SCOBEY